

1 UNITED STATES BANKRUPTCY COURT
2 SOUTHERN DISTRICT OF NEW YORK

3 Case No. 08-01789(BRL)

4 Adv. Case No. 08-01789(BRL)

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6 In the Matter of:

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8 SECURITIES INVESTOR PROTECTION
9 CORPORATION,

10

11 Debtor.

12 - - - - - x

13 SECURITIES INVESTOR PROTECTION
14 CORPORATION,

15 Plaintiff,

16 v.

17 BERNARD L. MADOFF INVESTMENT
18 SECURITIES, LLC, et al.,

19 Defendants.

20 - - - - - x

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22

23 U.S. Bankruptcy Court

24 One Bowling Green

25 New York, New York

1 October 16, 2013

2 10:08 AM

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4 B E F O R E :

5 HON BURTON R. LIFLAND

6 U.S. BANKRUPTCY JUDGE

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1 Hearing re: (cc-5491) Eleventh Application of Windels Marx
2 Lane & Mittendorf, LLP for Allowance of Interim Compensation
3 for Services Rendered and Reimbursement of Actual and
4 Necessary Expenses Incurred from December 1, 2012 through
5 April 30, 2012 for Windels Marx Lane & Mittendorf, LLP,
6 Special Counsel, period: 12/1/2012 to 4/30/2013, fees:
7 \$1,629,622.00, expenses: \$9,539.18

8
9 Hearing re: (cc-5502) Application of Werder Vigano as
10 Special Counsel to the Trustee for Allowance of Interim
11 Compensation for Services Rendered and Reimbursement of
12 Actual and Necessary Expenses Incurred from December 1, 2012
13 through April 30, 2013 for Werder Vigano, Special Counsel,
14 period: 12/1/2012 to 4/30/2013, fee: \$5,792.27, expenses: \$0

15
16 Hearing re: (cc-5503) Greenfield Stein & Senior, LLP as
17 Special Counsel to the Trustee for Allowance of Interim
18 Compensation for Services Rendered and Reimbursement of
19 Actual and Necessary Expenses Incurred from December 1, 2012
20 through April 30, 2013 for Greenfield Stein & Senior, LLP,
21 Special Counsel, period: 12/1/2012 to 4/30/2013, fee:
22 \$2,270.25, expenses: \$25.65

23
24 Hearing re: (cc-5504) Application of Browne Jacobson, LLP
25 as Special Counsel to the Trustee for Allowance of Interim

1 Compensation for Services Rendered and Reimbursement of
2 Actual and Necessary Expenses Incurred from December 1, 2012
3 through April 30, 2013 for Browne Jacobson, LLP, Special
4 Counsel, period: 12/1/2012 to 4/30/2013, fee: \$214,820.72,
5 expenses: \$35,148.00

6
7 Hearing re: (cc-5505) Application of Eugene F. Collins as
8 Special Counsel to the Trustee for Allowance of Interim
9 Compensation for Services Rendered and Reimbursement of
10 Actual and Necessary Expenses Incurred from December 1, 2012
11 through April 30, 2013 for Eugene F. Collins, Special
12 Counsel, period: 12/1/2012 to 4/30/2013, fee: \$1,397.62,
13 expenses: \$0.00

14
15 Hearing re: (cc-5506) Application of Kugler Kandestein, LLP
16 as Special Counsel to the Trustee for Allowance of Interim
17 Compensation for Services Rendered and Reimbursement of
18 Actual and Necessary Expenses Incurred from December 1, 2012
19 through April 30, 2013 for Kugler Kandestein, Special
20 Counsel, period: 12/1/2012 to 4/30/2013, fee: \$982.24,
21 expenses: \$4.98

22
23 Hearing re: (cc-5490) Twelfth Application of Trustee and
24 Baker & Hostetler LLP for Allowance of Interim Compensation
25 for Services Rendered and Reimbursement of Actual and

1 Necessary Expenses Incurred from December 1, 2012 through
2 April 30, 2013 for Baker & Hostetler, LLP, Trustee's
3 Attorney, period: 12/1/2012 to 4/30/2013, fee: \$46775739.15,
4 expenses: \$1,347,334.97

5
6 Hearing re: (cc-5507) Application of Ritter & Ritter
7 Advokatur as Special Counsel to the Trustee for Allowance of
8 Interim Compensation for Services Rendered and Reimbursement
9 of Actual and Necessary Expenses Incurred from January 15,
10 2013 through April 30, 2013 for Ritter & Ritter Advokatur,
11 Special Counsel, period: 1/15/2013 to 4/30/2013, fee:
12 \$70,665.70, expenses: \$44.56

13
14 Hearing re: (cc-5492) Application of Schiltz & Schiltz as
15 Special Counsel to the Trustee for Allowance of Interim
16 Compensation for Services Rendered and Reimbursement of
17 Actual and Necessary Expenses Incurred from December 1, 2012
18 through April 30, 2013 for Schiltz & Schiltz, Special
19 Counsel, period: 12/1/2012 to 4/30/2013, fee: \$66,279.97,
20 expenses: \$4,308.20

21
22 Hearing re: (cc-5493) Application of Higgs & Johnson
23 (formerly Higgs Johnson Truman Bodden & Co.) as Special
24 Counsel to the Trustee for Allowance of Interim Compensation
25 for Services Rendered and Reimbursement of Actual and

1 Necessary Expenses Incurred from December 1, 2012 through
2 April 30, 2013 for Higgs & Johnson (formerly Higgs Johnson
3 Truman Bodden & Co.), Special Counsel, period: 12/1/2012 to
4 4/30/2013, fee: \$33,237.00, expenses: \$900.65

5
6 Hearing re: (cc-5494) Application of Soroker - Agmon as
7 Special Counsel to the Trustee for Allowance of Interim
8 Compensation for Services Rendered and Reimbursement of
9 Actual and Necessary Expenses Incurred from December 1, 2012
10 through April 30, 2013 for Soroker - Agmon, Special Counsel,
11 period: 12/1/2012 to 4/30/2013, fee: \$398,386.25, expenses:
12 \$9,883.93

13
14 Hearing re: (cc-5495) Application of Graf & Pitkowitz
15 Rechtsanwalte GmbH as Special Counsel to the Trustee for
16 Allowance of Interim Compensation for Services Rendered and
17 Reimbursement of Actual and Necessary Expenses Incurred from
18 December 1, 2012 through April 30, 2013 for Graf & Pitkowitz
19 Rechtsanwalte GmbH, Special Counsel, period: 12/1/2012 to
20 4/30/2013, fee: \$642,544.02, expenses: \$76,918.91

21
22 Hearing re: (cc-5496) Application of SCA Creque as Special
23 Counsel to the Trustee for Allowance of Interim Compensation
24 for Services Rendered and Reimbursement of Actual and
25 Necessary Expenses Incurred from December 1, 2012 through

1 April 30, 2013 for SCA Creque, Special Counsel, period:
2 12/1/2012 to 4/30/2013, fee: \$5,590.05, expenses: \$174.50
3
4 Hearing re: (cc-5497) Application of Young Conaway Stargatt
5 & Taylor, LLP as Special Counsel to the Trustee for
6 Allowance of Interim Compensation for Services Rendered and
7 Reimbursement of Actual and Necessary Expenses Incurred from
8 December 1, 2012 through April 30, 2013 for Young Conaway
9 Stargatt & Taylor, LLP, Special Counsel, period: 12/1/2012
10 to 4/30/2013, fee: \$38,026.35, expenses: \$1,401.38
11
12 Hearing re: (cc-5498) Application of Williams, Barristers &
13 Attorneys as Special Counsel to the Trustee for Allowance of
14 Interim Compensation for Services Rendered and Reimbursement
15 of Actual and Necessary Expenses Incurred from December 1,
16 2012 through April 30, 2013 for Williams, Barristers &
17 Attorneys, Special Counsel, period: 12/1/2012 to 4/30/2013,
18 fee: \$159,419.08, expenses: \$0.00
19
20 Hearing re: (cc-5499) Application of Taylor Wessing as
21 Special Counsel to the Trustee for Allowance of Interim
22 Compensation for Services Rendered and Reimbursement of
23 Actual and Necessary Expenses Incurred from December 1, 2012
24 through April 30, 2013 for Taylor Wessing, Special Counsel,
25 period: 12/1/2012 to 4/30/2013, fee: \$5,825,888.90,

1 expenses: \$3,250,037.23

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3 Hearing re: (cc-5508) Application of Bedell Cristin

4 Guernsey Partnership as Special Counsel to the Trustee for

5 Allowance of Interim Compensation for Services Rendered and

6 Reimbursement of Actual and Necessary Expenses Incurred from

7 April 5, 2013 through April 30, 2013 for Bedell Cristin

8 Guernsey Partnership, Special Counsel, period: 4/5/2013 to

9 4/30/2013, fee: \$7,851.97, expenses: \$27.56

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11 Hearing re: (cc-5500) Application of UGGC & Associes as

12 Special Counsel to the Trustee for Allowance of Interim

13 Compensation for Services Rendered and Reimbursement of

14 Actual and Necessary Expenses Incurred from December 1, 2012

15 through April 30, 2013 for UGGC & Associes, Special Counsel,

16 period: 12/1/2012 to 4/30/2013, fee: \$175,812.50, expenses:

17 \$717.59

18

19 Hearing re: (cc-5509) Application of Munari Giudici

20 Maniglio Panfili E Associati as Special Counsel to the

21 Trustee for Allowance of Interim Compensation for Services

22 Rendered and Reimbursement of Actual and Necessary Expenses

23 Incurred from March 21, 2013 through April 30, 2013 for

24 Munari Giudici Maniglio Panfili E Associati, Special

25 Counsel, period: 3/21/2013 to 4/30/2013, fee: \$2,651.72,

1 expenses: \$0.00

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3 Hearing re: (cc-5501) Application of Triay Stagnetto Neish
4 as Special Counsel to the Trustee for Allowance of Interim
5 Compensation for Services Rendered and Reimbursement of
6 Actual and Necessary Expenses Incurred from December 1, 2012
7 through April 30, 2013 for Triay Stagnetto Neish, Special
8 Counsel, period: 12/1/2012 to 4/30/2013, fee: \$99,982.03,
9 expenses: \$4,035.89

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25 Transcribed by: Dawn South

1 A P P E A R A N C E S :

2 BAKER & HOSTETLER LLP

3 Attorney for the Trustee

4 45 Rockefeller Plaza

5 New York, NY 10111-0100

6

7 BY: DAVID J. SHEEHAN, ESQ.

8

9 WINDELS MARX LANE & MITTELDORF, LLP

10 156 West 56th Street

11 New York, NY 10019

12

13 BY: ALAN NISSELSON, ESQ.

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15 SPIC

16 805 15th Street, N.W.

17 Suite 800

18 Washington, D.C. 20005-2215

19

20 BY: KEVIN H. BELL, ESQ.

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1 P R O C E E D I N G S

2 THE COURT: Second call.

3 THE COURT: SIPC v. BLMIS.

4 MR. SHEEHAN: Good morning, Your Honor. How are
5 you today?

6 THE COURT: Good morning, Mr. Sheehan.

7 MR. SHEEHAN: The -- this is the twelfth interim
8 fee application of the trustee together with his other
9 counsel, conflict counsel, Windels Marx and Young Conaway,
10 as well as an assortment, as Your Honor knows, of foreign
11 counsel who are also seeking reimbursements this morning.

12 There is no objection to any of the applications
13 before Your Honor today, but as I have done in the past,
14 what I would like to do, if I may, and very briefly, is to
15 outline the work that has been done by the international
16 counsel in the reporting period before I actually submit the
17 order to Your Honor.

18 THE COURT: Sure.

19 MR. SHEEHAN: We actually have some new counsel
20 here this morning. The first one is the Munari firm in
21 Italy. We've retained that firm in connection with several
22 matters. One is the action that we've instituted against
23 UniCredit, which of course is the largest bank in Italy, and
24 they're assisting us with regard to a variety of issues,
25 mainly related to discovery and in assistance to the freeze

1 order that we obtained against Sonja Cohen in the United
2 Kingdom.

3 The next firm is the Bedell firm, this is in
4 the Isle of Guernsey. This is a new retention by us in
5 connection with work that we've begun there. Certain of the
6 defendants actually are incorporated there. We've begun
7 service of process and instituted proceedings there and
8 utilized our Guernsey counsel.

9 Ritter & Ritter is in Liechtenstein, they have
10 been working for us for some time.

11 As Your Honor knows there are a number of matters
12 in Liechtenstein, one of which involves an investor with
13 regard to the Sonja Cohen matter. There we have a freeze
14 with regard to about \$2 million that we have found there,
15 and the Liechtenstein prosecutor has worked with us to
16 maintain that freeze.

17 We are pursuing avenues of discovery there, and
18 Ritter & Ritter assists us with both of those efforts.

19 Eugene Collins is in Ireland. In Ireland we have
20 the Thema (ph) matter, which we did not participate in. We
21 elected not to for a variety of reasons.

22 That case, as Your Honor probably recalls, settled
23 for about \$250 million. That was brought by the Thema
24 investors against HSBC.

25 We have worked out an arrangement, that money is

1 currently sitting on hold until we resolve our differences
2 with HSBC or at least reach an accommodation as to the
3 disposition of those funds.

4 Collins has assisted us with regard to that
5 effort.

6 Schiltz & Schiltz is in Luxembourg.

7 Luxembourg is where we have an action actually
8 instituted, as Your Honor may recall, against the trustee
9 language with a number of other individuals. We brought a
10 motion, as Your Honor will recall, to enjoin that action
11 here. It was removed before Judge Raykoff and is currently
12 pending before him, and we have before Your Honor an issue
13 with regard to personal jurisdiction, which of course is
14 still being briefed and litigated in this court.

15 Schiltz & Schiltz works with us on all of those
16 matters, but in addition to that we are also again pursuing
17 this freeze order against Sonja Cohen in the Luxembourg
18 courts because there are assets that she has there as well.

19 Kugler & Kandestein is in Canada, that's a very
20 limited retention, it seeks only three hours. That's only
21 in connection with some discovery.

22 THE COURT: Isn't Sonja Cohen also Austria?

23 MR. SHEEHAN: Yes, there is, and I'll get to that
24 in a minute, Your Honor.

25 THE COURT: Oh, okay.

1 MR. SHEEHAN: Higgs & Johnson is the Cayman
2 Islands.

3 As Your Honor will recall many of the feeder funds
4 created to feed the Bernie Madoff fraud were in fact located
5 in the Cayman Islands, and later I'll speak about BDI.

6 In Cayman we've had an interesting array of
7 matters that have transpired there, principally orbiting
8 around whether or not the trustee has jurisdiction. We
9 fought that in the Premio (ph) matter -- or Premaio (ph) --
10 and in Premaio we had success with the court there in
11 enforcing and going forward with our order. That is now
12 currently on appeal.

13 Our adversaries are still taking the position that
14 we cannot appear there and actually prosecute the causes of
15 action.

16 As Your Honor knows we filed causes of action here
17 with Your Honor but we filed protective actions in Cayman,
18 the UK, BDI, Bermuda, and a number of other jurisdictions
19 just in case we ran into either personal jurisdiction or
20 other jurisdictional problems, but we are actively pursuing
21 this there and we've had, as I say, success to date, and
22 that is what Higgs & Johnson is principally assisting us
23 with, although there are other jurisdictional issues that
24 they've assisted on us as well.

25 Soroker & Agmon in Israel, that is the Magnify

1 matter. That is a matter where as Your Honor recalls from
2 the complaint that we filed here that approximately
3 \$130 million of fictitious profits went to Magnify. Magnify
4 then became the principal donor to an alleged charitable
5 organization known as Shasia Horowitz (ph) in Israel. That
6 money then was subsequently transferred out to a number of
7 other institutions.

8 We have been participating there in the -- there
9 was an immediate after our filing of a complaint I should
10 say -- Shasia Horowitz immediately filed to liquidate
11 without disclosing the fact that they'd been sued as part of
12 the Magnify action.

13 We then went into the courts in Israel through
14 Soroker and notified the Court of what was transpiring, they
15 then withdrew their liquidation.

16 We are now in the process of having a receiver
17 appointed through the Israeli courts with the idea of
18 utilizing that vehicle to find the assets and trace them
19 through the Shasia Horowitz transfers.

20 There's been some discovery here. Your Honor will
21 recall Soroker also assisted us with that, because that was
22 a deposition that we ended up actually taking in Switzerland
23 of the attorney who created the Magnify Shasia Horowitz
24 combination.

25 It's a very fascinating story that we've managed

1 to pull together, but what we still have not unraveled,
2 quite frankly, is the fact that there's \$130 million in
3 fictitious profits and they went through Shasia Horowitz and
4 into the hands of a man named Israel Greene (ph), who we've
5 also sued, and a good deal of those monies then went
6 interest the Greene family. We're also pursuing those.

7 So that one case alone has generated very
8 significant activity on behalf of the trustee. But because
9 of the magnitude, as is always the case in Madoff, the
10 \$130 million, we're actively pursuing that in Israel more so
11 than we are here because that's where we think all the
12 assets are.

13 Graf & Pitkowitz, that's Austria as Your Honor
14 mentioned a moment ago.

15 That is the place where Sonja Cohen created, as
16 Your Honor will recall, Bank Medichi (ph). Bank Medichi was
17 the principal vehicle she created to create a feeder fund --
18 a number of feeder funds. Bank Medichi then created
19 investment vehicles, four or five of them that were
20 supposedly, you know, diversified or fixed income, et
21 cetera. None of them really existed. They were just
22 fabrications created by her. They then all fed all their
23 money into Mr. Madoff. She over the course of time brought
24 in about \$9 billion into the Madoff fraud.

25 We have sued her, Bank Medichi, and a number of

1 other individuals here in the United States. We have not
2 started a lawsuit there. What we have been doing is
3 cooperating with the prosecutor.

4 As Your Honor knows there's a little different
5 system in Europe. We can actually participate. The trustee
6 is viewed as the victim in those proceedings. We can
7 participate and have participated and given them documents
8 and assistance, them being the prosecutor, it's a criminal
9 action, and that criminal action we can participate in by
10 being in the room with witnesses who are interviewed or
11 depositions take place, and we've actively participated in
12 those as well.

13 Graf & Pitkowitz is our firm that's worked with us
14 throughout that. There has been an enormous amount of
15 information that's been forthcoming. That prosecution is
16 nearing its head. We believe that certainly, although not
17 in the reporting period, but more recently it has, so that
18 we believe by the end of this year, the beginning of next,
19 there will be an active prosecution of the principal
20 defendants, including Mrs. Cohen in that action.

21 THE COURT: Isn't she also involved in the UK
22 proceedings?

23 MR. SHEEHAN: She is. I'm going to get to that
24 one in a minute as well. But yes, she is. She's a
25 principal defendant there and we had a trial this summer,

1 which I'll talk about in a moment.

2 THE COURT: And they were adverse to her findings?

3 MR. SHEEHAN: Well, there were adverse findings
4 against Mrs. Cohen with regard to the freeze order, which
5 was about 18 months ago.

6 THE COURT: I see.

7 MR. SHEEHAN: But we're still waiting for the
8 decision of Judge Popplewell. I used to think as an aside
9 that Thickens made those names up, but they actually just
10 exist in England.

11 But in any event, Judge Popplewell is sitting
12 there on that decision. We should have it I think next
13 week.

14 SCA Creque is the Switzerland -- I'm sorry - BDI
15 counsel that we've had working for us. Not much activity
16 during the reporting period.

17 BDI has gone somewhat quite in the sense that most
18 of the activity is taking place, as Your Honor as noted, in
19 the United kingdom, Austria, Cayman, and obviously in this
20 courthouse, but they do of course assist us, because there
21 are number of (indiscernible - 00:14:14) such as Kinggate
22 (ph), which is active principally in Bermuda though, which
23 is the next firm, that's the Williams Barrister firm.

24 In Bermuda what is occurring is this. As you know
25 we've been negotiating at length with the liquidators in

1 Kinggate to try to resolve that matter. It broke out into
2 litigation with DBSI and Kinggate in the federal courts
3 here. There's been a delay principally because there has to
4 be some resolution of the remission fund, which has not yet
5 taken place with the special master. We're hoping that will
6 happen shortly, and that'll give us guidance as to how we
7 can deal with that distribution.

8 But in the meantime what's going on is KML,
9 Kinggate Management Limited, is operating in Bermuda and
10 they were one of the management funds created by the
11 ultimate architects of this fraud, the Kinggate fraud,
12 Suretti & Grosso (ph), who we've sued both here and in the
13 United Kingdom. Those lawsuits are pending.

14 But we sued them also in Bermuda and there's an
15 action there also by the liquidators that had been on hold
16 while we were discussing things. But since things aren't
17 moving they've started to move, therefore we've become much
18 more active there seeking to shut down the liquidator cause
19 of action in favor of the trustee's cause of action. That's
20 being currently litigated in the courts.

21 We have an agreement with the receiver, there are
22 many parties here, the receiver for Kinggate Management
23 Limited was actually appointed in Bermuda, the liquidators
24 are from BDI, and we're here from the United States. We're
25 all in the Bermuda court.

1 We're cooperating with the receiver and we will
2 ultimately I think resolve all this once we have guidance
3 from special master on that aspect of it, because we've
4 virtually worked out all the details with the rest of the
5 settlement.

6 Taylor Wessing is our counsel in England. You can
7 see they have significant time, over 17,000 hours.

8 What was happening during the reporting period was
9 essentially the discovery that took place with regard to the
10 cause of action Your Honor eluded to, the defendants in that
11 action are the directors of MSIL, which was the corporation
12 created by Mr. Madoff in furtherance of his fraud, there was
13 an instrumentality of the fraud. He presented it as a
14 foreign body that was utilized by him to create trades in
15 the European market thereby justifying that he was operating
16 in dark pools of liquidity, as he called it, so that
17 therefore the volatility that otherwise would have
18 manifested itself on the exchange did not because he used
19 it. Of course it was all a lie and MSIL was a fraud.

20 The activities that were limited to proprietary
21 trading on his behalf we have during the course of this
22 discovery we discovered not only a number of documents
23 supporting our case but actual phone conversations between
24 Mr. Madoff and the directors evidencing their discussions
25 with regard to the fact that the work that Ms. Cohen was

1 doing was not really work but they were manufacturing
2 invoices to pay her.

3 All of this was presented to Judge Popplewell in
4 July when we actually tried this case. I did not try it.
5 Our again Pushpinder Saini, our barrister, tried that case
6 on behalf of the trustee, assisted by Williams -- assisted
7 by I should say Taylor Wessing, as the solicitors.

8 So there's been a great deal of activity there
9 mostly in the form of discovery and trial preparation during
10 the reporting period which culminated, as I say, in a trial,
11 the judge reserved decision.

12 Judge Popplewell has indicated that we will next
13 week get a what they call a preliminary decision. We get to
14 comment on it, not substantively, but whether he's got all
15 the facts right and the grammar looks right, and then we
16 give that back and we should have a decision within the next
17 ten days.

18 They've also assisted us as I say Kinggate we've
19 sued Suretti & Grosso, we're pursuing them in England as
20 well in Bermuda and BDI and the Caymans -- or BDI I should
21 say.

22 So there's a lot of activity in the United
23 Kingdom, which is why you have the amount of time there.

24 UGGC you'll see that the time has gone up, it's
25 over 400 hours. This is in France.

1 What has happened there is, is that initially the
2 prosecutor in France, a number of -- let me just back up a
3 step. A number of the investors that went through the
4 Luxsolfa (ph) and what we call the Luxembourg funds actually
5 are out in France, and it was initially an investigation by
6 the prosecutor, but he shut it down.

7 And quite frankly we've gone over there and we've
8 talked to the prosecutor and he's reopened the
9 investigation.

10 And Soretti & Grosso by the way have gone in
11 because there's also a part of this and tried to shut it
12 down.

13 So we have active litigation going on in French
14 courts with us pursuing discovery there through the French
15 prosecutor assisting them with discovery that we have,
16 again, a very unique system.

17 We're confident that the courts will allow us to
18 proceed and that they will deny Soretti & Grosso's
19 application to shut down our participation, which is what
20 they're trying to do.

21 The prosecutor is supporting it, wants us
22 involved, and I think it will continue.

23 Again, this is not in support of any particular
24 action in France so much as to develop evidence and
25 documents with regard to the activities of Sonja Cohen and

1 other, you know, participants in the fraud like Soretti &
2 Grosso in Europe.

3 Then we have Gibraltar.

4 THE COURT: Let me ask you this, Mr. Sheehan. At
5 the end of the day with all the activity surrounding Sonja
6 Cohen is it possible that it's a dry well?

7 MR. SHEEHAN: You know, well, we've actually
8 frozen about \$25 million. Now I realize in the scheme of
9 things in this case that's not a lot of money, but it is
10 still a lot of money and there is -- you know, we've traced
11 a good deal of the money - and you haven't seen this counsel
12 here yet -- but to Australia. And most of the money is
13 there in the hands of her children and her mother, who's
14 still alive.

15 So we're pursuing that at this point trying to
16 work it out through her counsel, and they've been somewhat
17 cooperative, and we think that once we have the judgment,
18 which we anticipate we will get in England, we'll get much
19 more cooperation from them.

20 Right now we haven't had the cooperation that
21 we've expected, although we've had many conferences and
22 worked with them.

23 But I do believe that there is ultimately nine
24 figures that will be available to the trustee, which
25 justifies all this activity.

1 And in addition what we're finding is this. Is
2 that just as a general observation. While all of the
3 individuals that we sued would suggest to you in their
4 defenses that we didn't know anything, how were we supposed
5 to find out, the SEC couldn't figure it out, how were we,
6 and we were in isolation, we didn't know anything? What
7 we're actually finding is we continue to develop everyone of
8 these individuals was talking to one another and they
9 actually knew one another and they actually cooperated with
10 one another. They introduced each other to different funds.

11 So this is not really just one case against
12 Ms. Cohen, it's actually a case that manifested itself in
13 Soretti & Grosso, for example, in the Kinggate funds, we're
14 seeing evidence of them there. We see them in other funds
15 that are offshore. All of them were offshore, as Your Honor
16 knows.

17 So we're finding that as we continue this
18 discovery the closeness of all these individuals gets
19 tighter and tighter.

20 So it's not just a question of pursuing assets,
21 and we've obviously had some success in that and we'll
22 continue, but I believe also what we're doing is we're tying
23 together and ticking and tying so much information that just
24 makes the credibility of our case that much stronger.

25 Then Gibraltar what we have there is, Your Honor,

1 this has been long running probably from the very beginning,
2 you'll recall that we found \$150 million sitting in bank
3 accounts there for Biskia (ph) and related funds.

4 What we've done there is we've frozen those funds,
5 and then as Your Honor will recall, with your assistance, we
6 convinced our adversaries of the value of our default, so
7 they -- the money has actually been transferred to this
8 court and ultimately that trial will take place here.

9 In the meantime we have other defendants there and
10 other monies that we're pursuing and we're seeking to
11 enforce the default judgment, which Your Honor entered here.

12 Most recently the courts in Gibraltar agreed to
13 Enforce, that notwithstanding any recent Rubin decision
14 would seem to suggest otherwise, we were very successful.
15 That case is on appeal now, it was actually just argued this
16 week. So we're hoping that we will ultimately be successful
17 with the appellate body.

18 The reports I have is that, although you can't
19 forecast a result, that our arguments went very well and
20 were well received by the panel, so we're very hopeful that
21 in Gibraltar we're actually get really good law for us, that
22 would be very helpful in other cases where we can take
23 defaults and pursue them throughout the commonwealth.

24 Then we have Switzerland, that's very small. That
25 was the deposition that I eluded to earlier in connection

1 with Magnify. Took the deposition of an individual there
2 who was the lawyer who created the Shasia Horowitz and the
3 Magnify connection.

4 And then last that I'm going to report on here
5 this morning is Browne Jacobson with over 400 hours.

6 They're our conflict counsel, for want of a better
7 term, in the United Kingdom. Taylor Wessing is a major
8 international law firm. Unfortunately we've run into
9 several conflicts with the wide reach of the Madoff case.

10 So Browne Jacobson has come in, they've worked
11 with us on a number of matters, not the -- obviously the
12 Sonja Cohen matter -- but we've had other causes of action
13 there that we're pursuing in connection with Soretti &
14 Grosso as I've said.

15 They've also been our principal bankruptcy counsel
16 there. It's not one of the strong suits, to be blunt, of
17 Taylor Wessing, but the Browne Jacobson people have been
18 very, very good there and we've worked with Blackstone
19 Chambers as our barrister in connection with those efforts.

20 So that is a brief summary and overview, Your
21 Honor, of what we've been doing at least in the reporting
22 period and continuing to do today.

23 In addition to that of course we have, as I
24 mentioned earlier, our counsel here today --

25 THE COURT: Before we get to that I just have

1 one --

2 MR. SHEEHAN: Sure, Your Honor.

3 THE COURT: -- inquiry based just on the numbers.

4 Taylor Wessing is approaching six million and
5 their expenses are half again the amount of their fees.

6 MR. SHEEHAN: Yes, Your Honor.

7 THE COURT: That seems to be somewhat
8 disproportionate.

9 MR. SHEEHAN: Yes, and there is an explanation.

10 THE COURT: Please.

11 MR. SHEEHAN: And the explanation is that the
12 barristers there are treated as an expense, so when you see
13 the expenses that expense is for Pushpinder Saini, and they
14 charge it to us as an expense.

15 Barristers don't bill the way that we do here in
16 the States, they bill with -- to the solicitor, the
17 solicitor bills us, it's treated as an expense.

18 THE COURT: So the fees essentially are really
19 closer to nine million than --

20 MR. SHEEHAN: Correct, Your Honor. That's
21 correct.

22 As I was about to say there's two other firms here
23 this morning that I want to speak about before I get to our
24 own firm, and that is Windels Marx and Young Conaway.

25 And as Your Honor knows the history very, very

1 well about Windels' involvement in the case, they've been
2 actively involved in assisting us and have done, as I've
3 said in the past and continues to date, superb work in
4 supporting the efforts of the trustee in recovering assets
5 from many, many defendants. It's an ongoing activity,
6 continuing even as we speak today, in a matter that will be
7 mediated this afternoon.

8 So this is a firm that has been in the forefront
9 with us throughout this process and has done exemplary work.

10 Along the way of course they themselves developed
11 conflicts, again given the wide reach of Madoff, and we
12 brought Young Conaway in who has been again very, very
13 helpful to us and assisted us in any number of matters which
14 are reported on in our interim report.

15 Then last but not least of course there is the
16 Baker Hostetler application, which is as I said at the
17 outset, our twelfth interim application.

18 We've submitted a very extensive application as
19 well as we've submitted an interim report to Your Honor in
20 the past over the course of this proceeding. I'm not going
21 to get into detail. We appear regularly in front of Your
22 Honor, you're aware of what has transpired over the last
23 four and a half years, and certainly specifically during
24 this reporting period.

25 So at this point, Your Honor, given the fact

1 there's no opposition, I would ask and move that all of
2 these applications be approved by Your Honor.

3 THE COURT: Does anyone want to be heard?

4 MR. BELL: Yes, Your Honor. Kevin Bell on behalf
5 of Securities Investor Protection Corporation.

6 I want to thank Your Honor for taking my first
7 point, that was Taylor Wessing, because the extraordinary
8 number of hours and the millions of dollars of expenses I
9 was going to address it but Your Honor raised the question
10 and Mr. Sheehan asked that we at SIPC had been very vigilant
11 in looking at international counsel and the extraordinary
12 number of hours and the expenses, and I want to thank
13 Mr. Sheehan for clarifying on the record that Blankstone
14 Chambers' charges as the barrister are included in those
15 expenses, and SIPC has been very vigilant in monitoring
16 those and reviewing them and commenting on them and getting
17 adjustments.

18 As to all the others, Young Conaway, Greenfield,
19 Wendels, and Baker, again, this is a no asset case. SIPC
20 takes the responsibility of monitoring these very seriously,
21 and as you will see that monitoring continues even after the
22 applications are filed, and there was a further adjustment
23 with regard to Baker's application, which is noted in the
24 SIPC recommendation. And I just wanted to make sure that I
25 note to the Court that there is an adjustment that was made

1 after Baker filed, which is noted in paragraphs 4 and 5 of
2 the SIPC recommendation on Baker -- Baker Hostetler's
3 application.

4 Again, it's a no asset case, the SIPA statutory
5 provision says that in a no asset case the Court is required
6 to accept SIPC's recommendation where the numbers agree.
7 Baker has agreed with our further adjustment, but I believe
8 that even if there were -- this was a no asset case and the
9 Court went through its normal processes that I feel
10 confident the Court would look at SIPC's recommendation and
11 instead of taking it as a mandatory acceptance would find
12 that the oversight that we've looked at and the results
13 where we've come to with Wendels, Taylor Wessing, and Baker
14 would be exactly where the Court would come.

15 This is a massive case, and as Mr. Sheehan's
16 explanation shows everything is connected. And, you know,
17 when you get to Magnify and Israel you wind up with one of
18 the good faith actions in France. Same person set up both
19 entities.

20 So you watch the connections, you watch Ms. Cohen
21 wandering through even a new jurisdiction, Australia, and
22 I'm sure we'll be recommending to the Court a retention of a
23 special counsel down under, and you know, there are more
24 aspects of this case coming forward.

25 THE COURT: I predict you may end up possibly in

1 New Zealand as well.

2 MR. BELL: Maybe Popular New Guinea, who knows.

3 But somewhere down in that area of the world. If she's in
4 one country we have found Ms. Cohen winds up popping up
5 other places. It's like whack a mole.

6 But to get back to the matter at hand, we, SIPC,
7 recommends strongly that this Court approve these fees and
8 we thank the Court for its time.

9 MR. SHEEHAN: Your Honor, if I may, just one thing
10 I did overlook that Mr. Bell reminded me of it.

11 There is a reduction that took place. After we
12 Filed, had further discussions with SIPC, and we effectuated
13 further reductions to the specific month of April, and the
14 reduction is in the amount of \$33,572.70 in fees, and in
15 disbursements, \$1,112.91. That has been reflected in the
16 order that I prepared and can submit to Your Honor this
17 morning.

18 THE COURT: Does anyone else want to be heard?

19 Well, as in everything in this case the scale is
20 incredibly broad, both with respect to the worldwide
21 implications and jurisdictions, which bring a huge amount of
22 jurisdictional complexity, territorial push back on the part
23 of the -- I can't even say hundreds -- I presume we're even
24 getting into potentially thousands of parties who have an
25 incentive to push back, and we're on a scale of beyond

1 billions that are involved here.

2 The efforts by the trustee and counsel here have
3 been -- I won't say happily -- have been substantially
4 productive.

5 I don't know how long it's going to take to wind
6 everything down, but certainly we're getting into a more
7 hardball of viewability of where some ultimate economic
8 resolution can take place on the part of all the parties
9 that are involved.

10 Somewhere along the line everybody is going to be
11 having to say enough is enough, we've spent enough, but
12 nevertheless, when we are dealing with such a high amount of
13 billions and we're also dealing in a situation where this is
14 not a traditional bankruptcy estate where the estate itself
15 suffers the expense of all the fees SIPC under 78(b)(5) and
16 so forth puts the Court in the position of almost being
17 required to approve the fees that are requested and provided
18 that its convinced it's been appropriate oversight by SIPC.

19 I am absolutely convinced that that is the case
20 here.

21 There does not appear to be any chance at this
22 point in time for recovery of the fees that have been laid
23 out so far.

24 So under the circumstances and as before the Court
25 will follow the statute which says must, but I agree with

1 counsel for SIPC, that if you took an overall look at the
2 amount of work that's been put in, the recoveries that have
3 been had so far, and the potential for many more recoveries
4 coming forward that the fees that are requested are
5 definitely not out of line.

6 I'm also aware that the new period coming up is
7 probably going to be as heavy as the one we've just seen
8 because of all the very heavy activity both here in the
9 United States and in other jurisdictions where decisions
10 both pro and adverse are continuing to be litigated and
11 appealed with interesting kinds of reactions and success.

12 I'm also aware that based upon some of the
13 decisions that have come down recently that there's going to
14 be a new flurry of litigation here before me, and certainly
15 my opinion that is now on its way up to the circuit, I hope,
16 on the time value of money will generate even more activity
17 here.

18 So it's unfortunate that this case is really
19 becoming such a huge case for generation of fees, but
20 hopefully they, as opposed to many other situations, will
21 reflect on recoveries to victims and those entitled to a
22 recovery alike as opposed I understand to some of the other
23 Ponzi cases that are winding their way where many, many
24 millions of dollars of fees are generated with very little
25 results for that.

1 The applications are approved.

2 MR. SHEEHAN: Your Honor, may I approach with the
3 order?

4 THE COURT: Sure.

5 THE COURT: I've approved the order.

6 MR. SHEEHAN: Thank you very much, Your Honor.

7 MR. BELL: Your Honor, thank you.

8 (Whereupon these proceedings were concluded at 10:17
9 AM)

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I N D E X

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C E R T I F I C A T I O N

I, Dawn South, certify that the foregoing transcript is a
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